

ARTHUR ANDERSEN

Nitto World Co., Limited

Financial statements for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 2124389



Directors' report

For the year ended 31 December 1999

The directors present their report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 December 1999.

Principal activity and business review

On 23 December 1997 the entire share capital of the company was purchased by SLC Turnberry Limited. On 30 December 1997 the trade and assets of the company were transferred into SLC Turnberry Limited. The company has not traded since that date.

The company recorded an operating profit in the year of £Nil (eighteen months to 31 December 1998 - £11,818,606).

Results and dividends

The turnover for the year was £Nil (eighteen months to 31 December 1998 - £5,954,668) and the profit on ordinary activities before and after taxation was £Nil (eighteen months to 31 December 1998 - £10,913,913).

No dividend is proposed (1998- £Nil).

Directors and their interests

The directors of the company during the year were:

T.W. Darnall

R. Cotter

M.P. Wale

No director had a beneficial interest in the shares of the company at any time during the year.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

After an initial assessment of the potential impact of the Year 2000 on the company, a plan was developed to ensure that all significant risks were addressed well in advance of the critical dates and with minimum disruption to the business.

The board is confident that we achieved Year 2000 compliance in all areas which had a potential impact on the business and the cost of doing so did not have a material impact on the company.

Auditors

A resolution will be submitted at the annual general meeting to reappoint Arthur Andersen, Chartered Accountants, as auditors for the ensuing year.

Sheraton Skyline Hotel
Bath Road
Hayes
Middlesex
UB3 5BP

By order of the Board



M. P. Wale
Director

4 December 2000

To the Shareholders of Nitto World Co., Limited:

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1999 and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen.

Arthur Andersen

Chartered Accountants and Registered Auditors

191 West George Street
Glasgow
G2 2LB

4 December 2000

Profit and loss account
For the year ended 31 December 1999

	Notes	Year to 31 December 1999	Eighteen months to 31 December 1998
		£	£
Turnover		-	5,954,668
Cost of sales		-	(3,215,645)
Gross profit		-	2,739,023
Other operating expenses (net)	2	-	(115,501)
Exceptional operating costs	3	-	(2,998,610)
Exceptional operating income	4	-	12,193,694
Operating profit		-	11,818,606
Investment income	5	-	94,219
Interest payable and similar charges	6	-	(998,912)
Profit on ordinary activities before taxation	7	-	10,913,913
Taxation	9	-	-
Retained profit for the financial period	12	-	10,913,913

The accompanying notes are an integral part of this profit and loss account.

The company has no recognised gains or losses other than the result for each financial period.

The operating results in the prior period derive from activities which were discontinued following the transfer of the company's trade and assets to SLC Turnberry Limited on 30 December 1997.

Balance sheet

31 December 1999

	Notes	1999 £	1998 £
Current assets			
Debtors: Amounts falling due within one year	10	<u>4,101,473</u>	<u>4,101,473</u>
Net assets		<u>4,101,473</u>	<u>4,101,473</u>
Capital and reserves			
Equity share capital	11	8,900,000	8,900,000
Share premium account	12	9,757,890	9,757,890
Profit and loss account	12	(14,556,417)	(14,556,417)
Total capital employed		<u>4,101,473</u>	<u>4,101,473</u>

Signed on behalf of the Board



M. P. Wale
Director

4 December 2000

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements
For the year ended 31 December 1999

1 Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period, is set out below.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Cash flow statement

The company has taken advantage of the exemption in FRS 1 to dispense with the requirement to include a cash flow statement in its financial statements as its financial statements are incorporated into the consolidated financial statements of Starwood Hotels and Resorts Worldwide Inc., which are available to the public.

c) Related party transactions

The company is exempt from the requirement to include details of transactions with other group companies.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated on the liability method.

Deferred tax is provided on timing differences which, in the opinion of the directors, will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

Notes to financial statements (continued)

2 Other operating expenses (net)

	Year to 31 December 1999 £	Eighteen months to 31 December 1998 £
Selling and marketing costs	-	291,515
Administrative expenses	-	1,037,263
Other income	-	(45,107)
Gain on exchange movements	-	(1,168,170)
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	-	115,501
	<hr/>	<hr/>

3 Exceptional operating costs

	Year to 31 December 1999 £	Eighteen months to 31 December 1998 £
Write down of fixed assets	-	2,997,960
Write off of investment in Nitto-Alfred McAlpine	-	650
	<hr/>	<hr/>
	-	2,998,610
	<hr/>	<hr/>

4 Exceptional operating income

	Year to 31 December 1999 £	Eighteen months to 31 December 1998 £
Recovery of intercompany loan previously written off	-	655,501
Forgiveness of intercompany loan liabilities	-	11,538,193
	<hr/>	<hr/>
	-	12,193,694
	<hr/>	<hr/>

Notes to financial statements (continued)

5 Investment income

	Year to 31 December 1999 £	Eighteen months to 31 December 1998 £
Interest received on loans to other group undertakings	-	25,166
Bank interest	-	69,053
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	-	94,219
	<hr/>	<hr/>

6 Interest payable and similar charges

	Year to 31 December 1999 £	Eighteen months to 31 December 1998 £
On loans from other group undertakings	-	
- repayable within five years, not by instalments	-	340,331
On bank loans	-	
- repayable within five years, not by instalments	-	658,581
	<hr/>	<hr/>
	-	998,912
	<hr/>	<hr/>

7 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation for the period is stated after charging/(crediting):

	Year to 31 December 1999 £	Eighteen months to 31 December 1998 £
Depreciation	-	100,582
Staff costs (note 9)	-	1,557,352
Hire of plant and machinery	-	
- under operating leases	-	34,921
Exchange gain arising principally on the translation of loans denominated in foreign currencies	-	(1,168,170)
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Auditors' remuneration in both periods has been borne by a fellow group undertaking.

Notes to financial statements (continued)

8 Staff costs

Particulars of employees are as shown below:

	Year to 31 December 1999	Eighteen months to 31 December 1998
	£	£
Employee costs during the year amounted to:		
Wages and salaries	-	1,391,760
Social security costs	-	109,683
Other pension costs	-	55,909
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	-	1,557,352
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The average monthly number of persons employed by the company during the year, including directors, was as follows:

	1999 Number	1998 Number
Permanent	3	17
Casual	-	40
	<hr/>	<hr/>
	3	57
	<hr/>	<hr/>

Remuneration

The remuneration of the directors was as follows:

	1999 £	1998 £
Emoluments	-	39,749
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Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Defined benefit schemes	-	1
	<hr/>	<hr/>

Notes to financial statements (continued)

9 Taxation

No tax charge arose in either period due to the availability of losses within the group.

10 Debtors

The following are included in debtors:

	1999	1998
	£	£
Amounts falling due within one year:		
Amounts due from other group undertakings	<u>4,101,473</u>	<u>4,101,473</u>

11 Equity share capital

	1999	1998
	£	£
<i>Authorised</i>		
96,800 ordinary shares of £100 each	<u>9,680,000</u>	<u>9,680,000</u>
<i>Allotted, called-up and fully-paid</i>		
89,000 ordinary shares of £100 each	<u>8,900,000</u>	<u>8,900,000</u>

12 Reserves

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	1999	1998
	£	£
Non-distributable		
- profit and loss account	(14,556,417)	(14,556,417)
- share premium account	<u>9,757,890</u>	<u>9,757,890</u>
	<u>(4,798,527)</u>	<u>(4,798,527)</u>

The movement in the profit and loss account was as follows:

	1999	1998
	£	£
At beginning of year	(14,556,417)	(25,470,330)
Profit for financial year	-	10,913,913
At end of year	<u>(14,556,471)</u>	<u>(14,556,417)</u>

Notes to financial statements (continued)

12 Reserves (continued)

Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
Profit for financial year	-	<u>10,913,913</u>
Net addition to shareholders' funds	-	<u>10,913,913</u>
Opening shareholders' funds/(deficit)	<u>4,101,473</u>	<u>(6,812,440)</u>
Closing shareholders' funds	<u>4,101,473</u>	<u>4,101,473</u>

13 Guarantees and other financial commitments

a) Capital commitments

At the end of the year there were no capital commitments (1998 - £Nil)

14 Ultimate parent company

The immediate parent company is SLC Turnberry Limited, a company incorporated in Scotland.

The smallest and largest group in which the results of Nitto World Co Limited are consolidated is Starwood Hotels and Resorts Worldwide Inc. Copies of the financial statements of this group are available to the public at:

Starwood Hotels and Resorts Worldwide Inc
Investor Relations
777 Westchester Avenue
White Plains
NY
10604